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Overcoming Obstacles

How the US Economy Continues to Grow

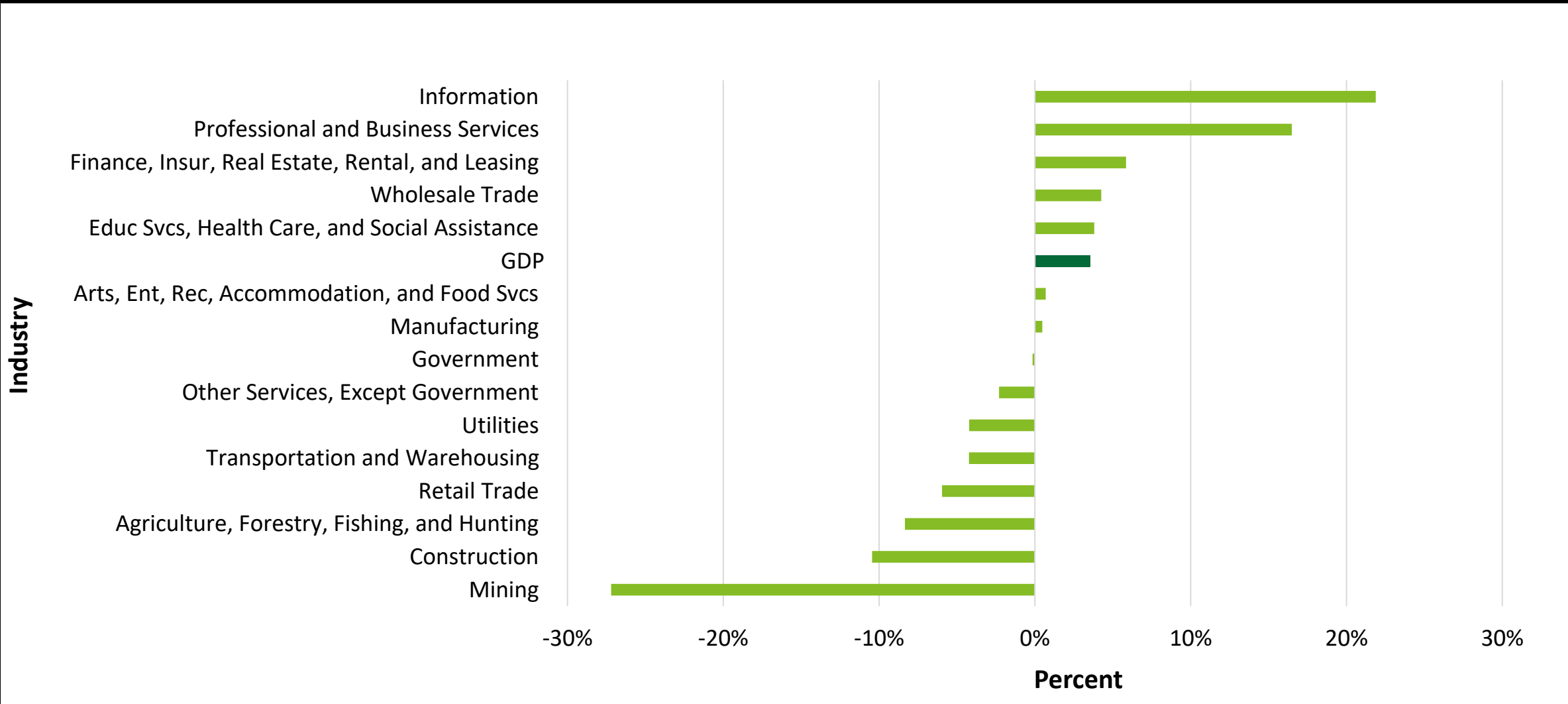
Danny Bachman, US Economic Forecaster

March 24, 2023

Current State of the Economy: Just How Much Damage Did Covid do?



GDP by Industry: Percent Change From 2019 Q4 to 2022 Q2



Source: BLS/Haver Analytics

Polling Question

01

I rejoined the gym I quit during COVID.

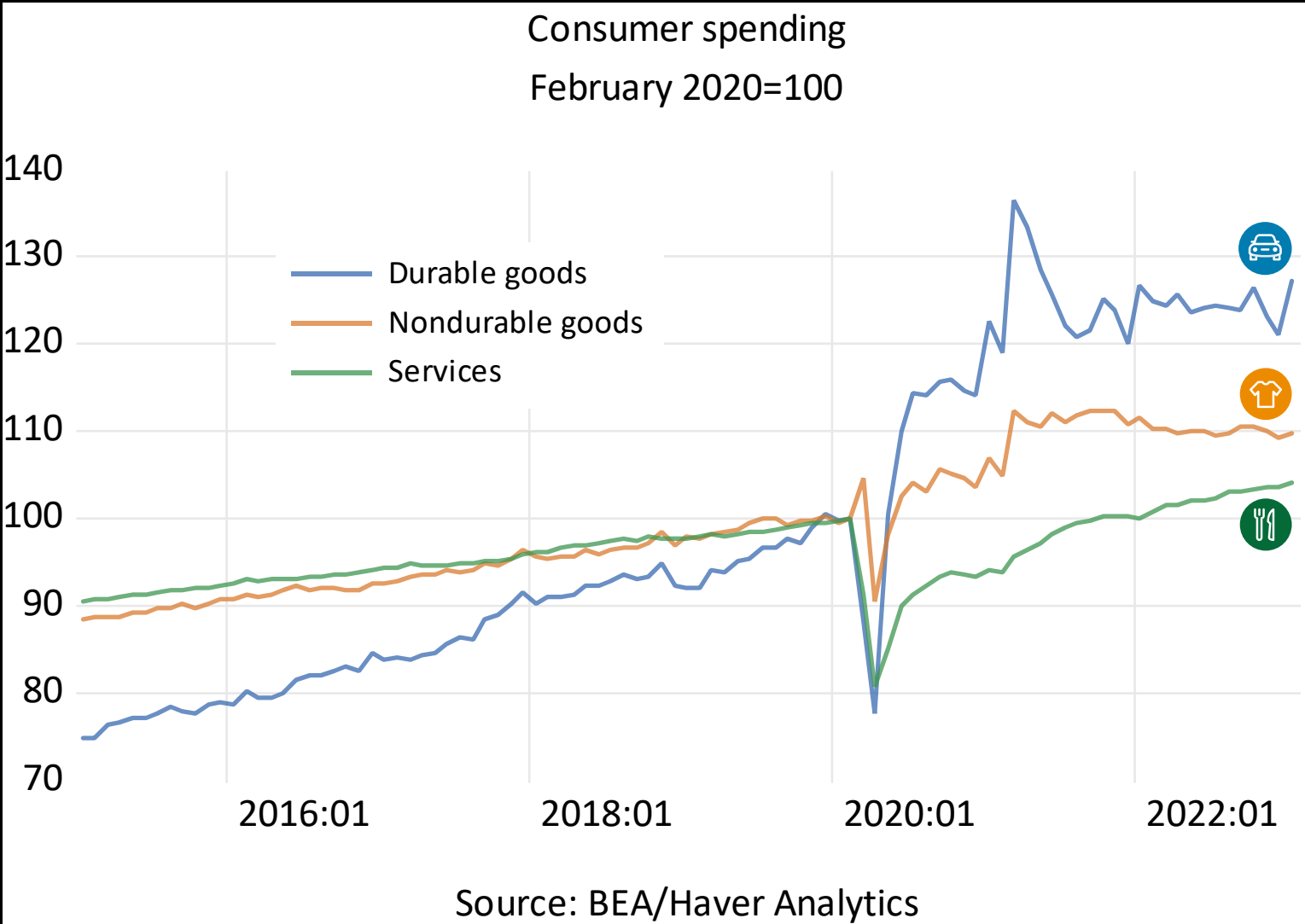
A. Yes, and the gym equipment I bought is sitting unused in my closet.

B. Yes, but sometimes I still work out at home.

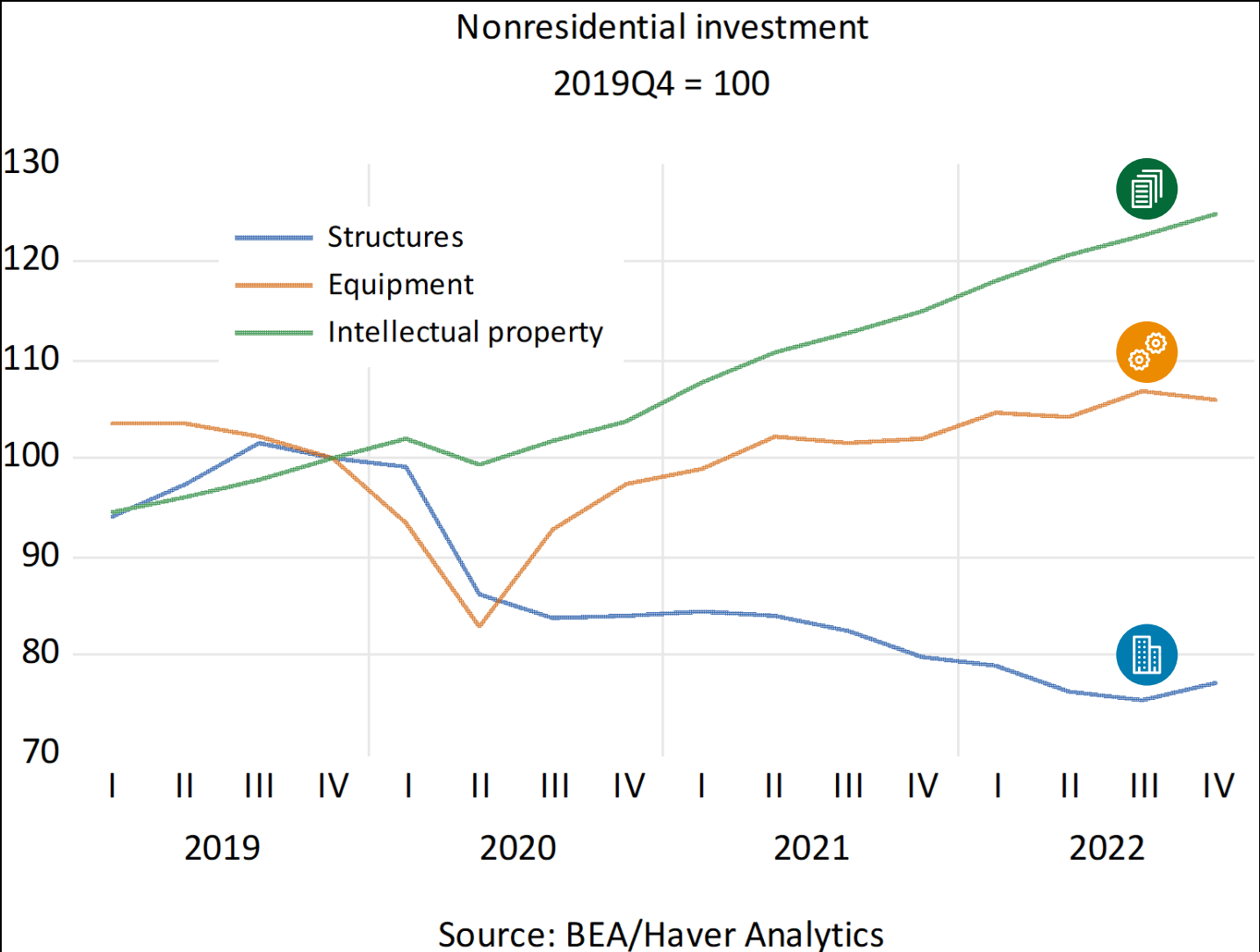
C. No, I prefer working out at home.

D. No, I prefer working out at home and I'm buying more gym equipment.

Consumer Spending Trends



Nonresidential Investment Trends



Key Considerations:

1. Labor Market



Polling Question

02

Which song best describes today's job market?

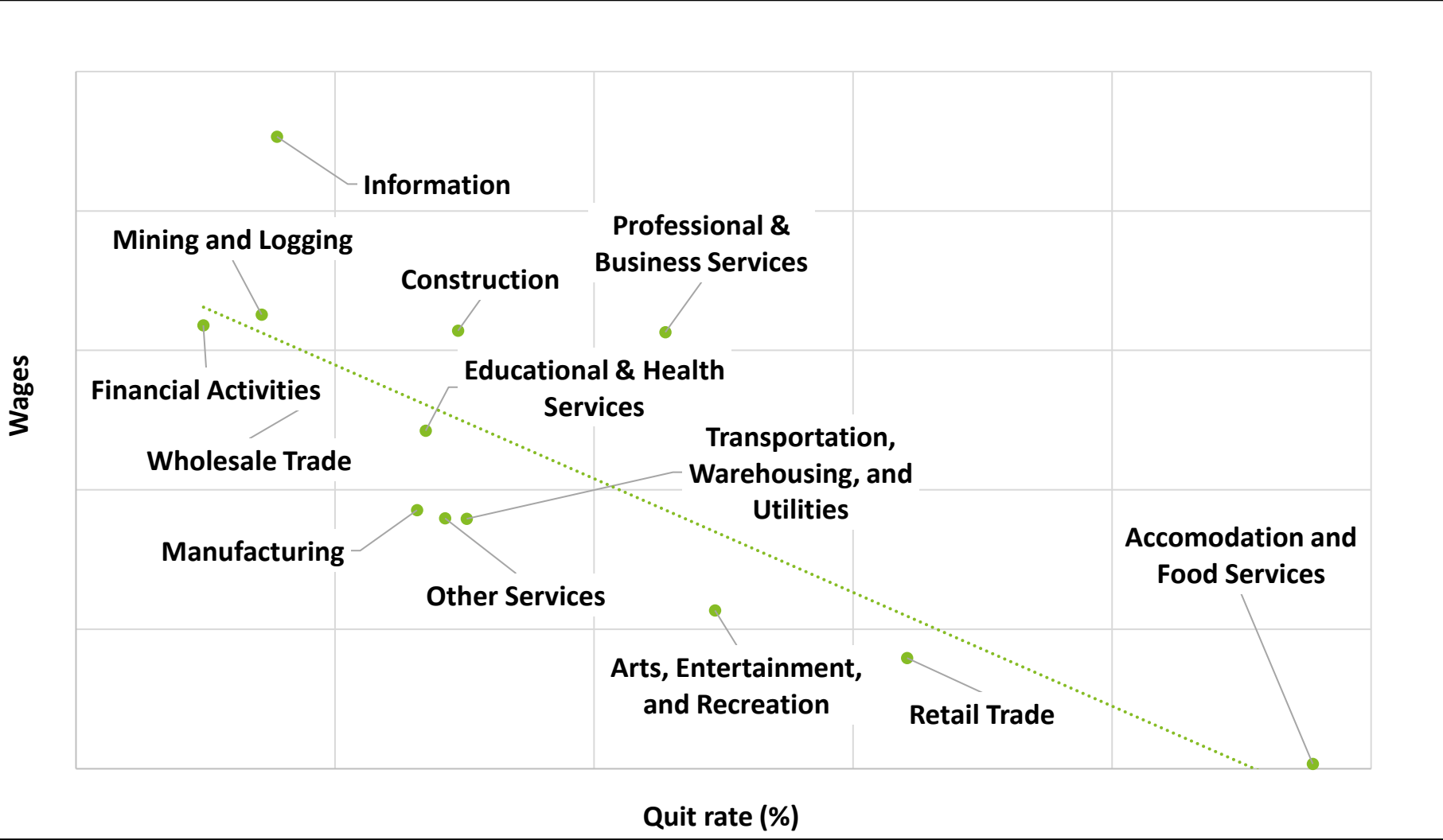
A. *Take this job and shove it* (Johnny Paycheck)

B. *Fifteen tons* (Merle Travis)

C. *Heigh ho, heigh ho, its off to work we go* (Disney)

D. *It's been a hard day's night* (The Beatles)

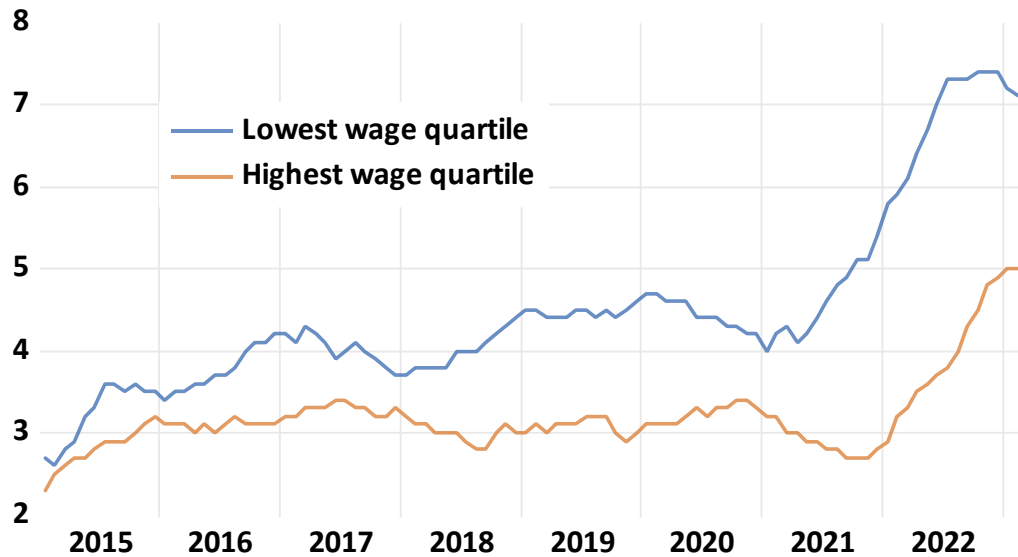
Quit Rates in December 2021 by January 2021 Wages



Source: BLS/Haver Analytics

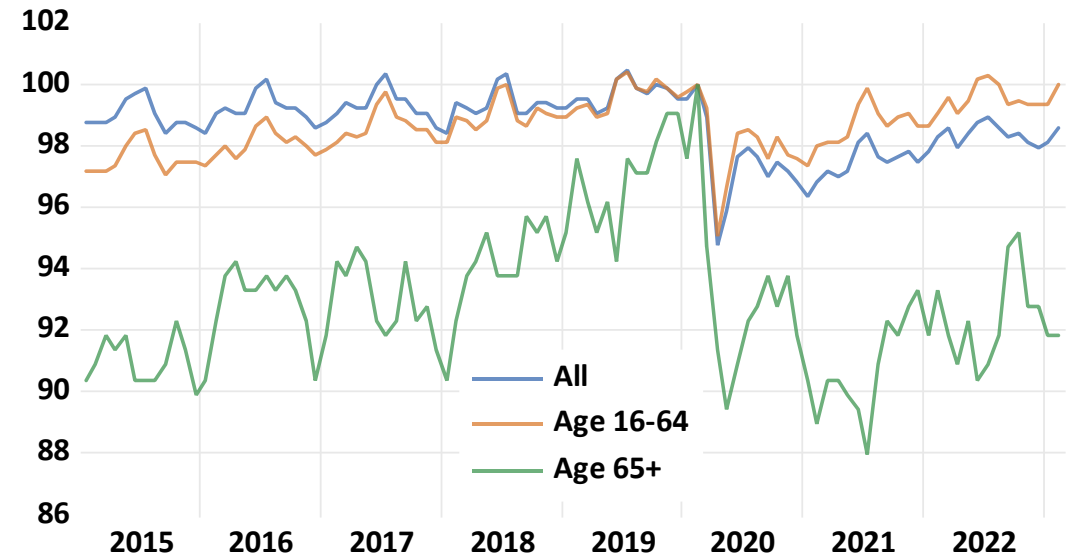
Wages & Labor Force Participation

Atlanta Fed wage tracker
Percent change, previous year



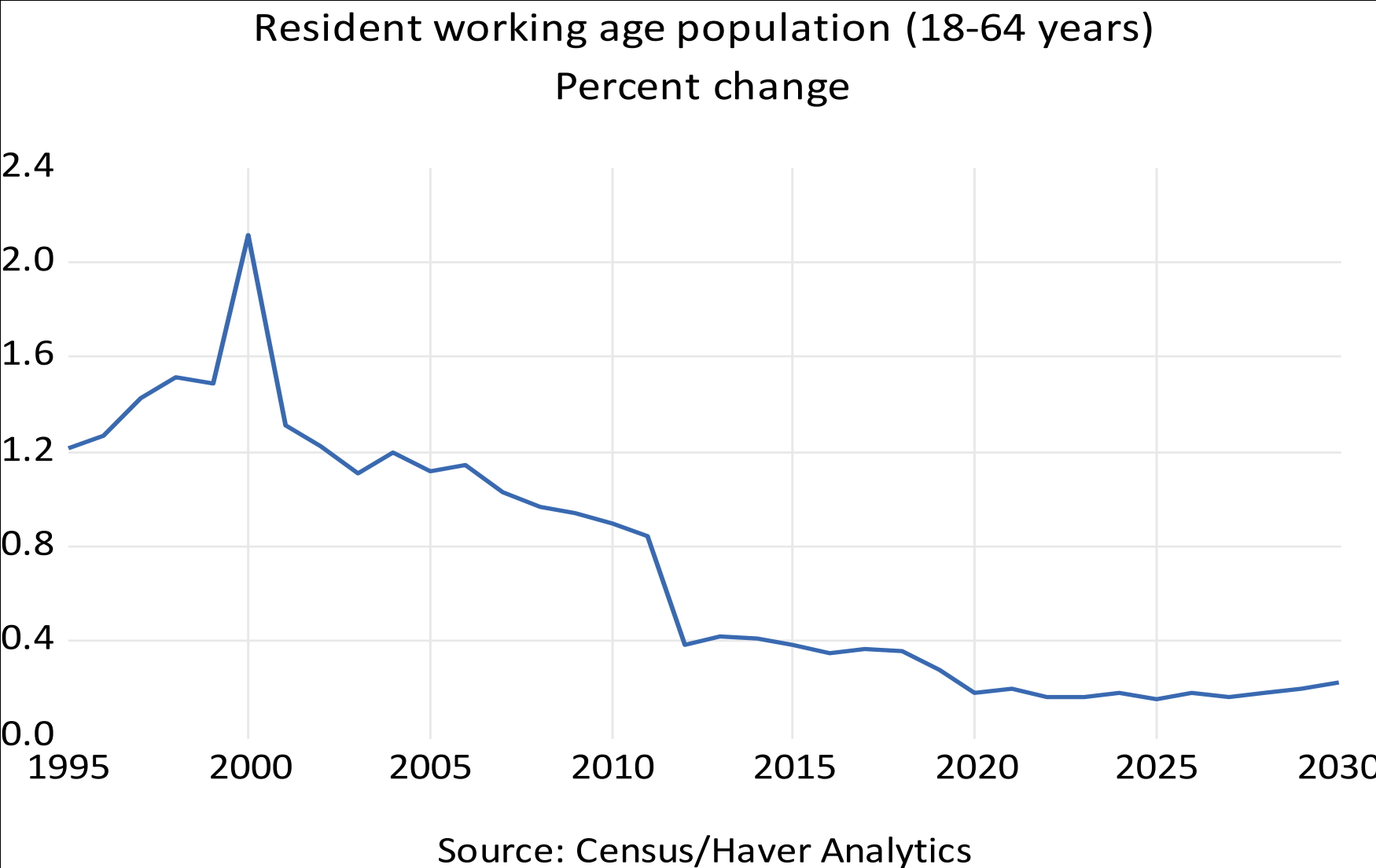
Source: Atlanta Fed/Haver Analytics

Labor force participation rate
100 in February 2020



Source: BLS/Haver Analytics

Resident Working Age Population Trends



Key Considerations:

2. Inflation



Polling Question

03

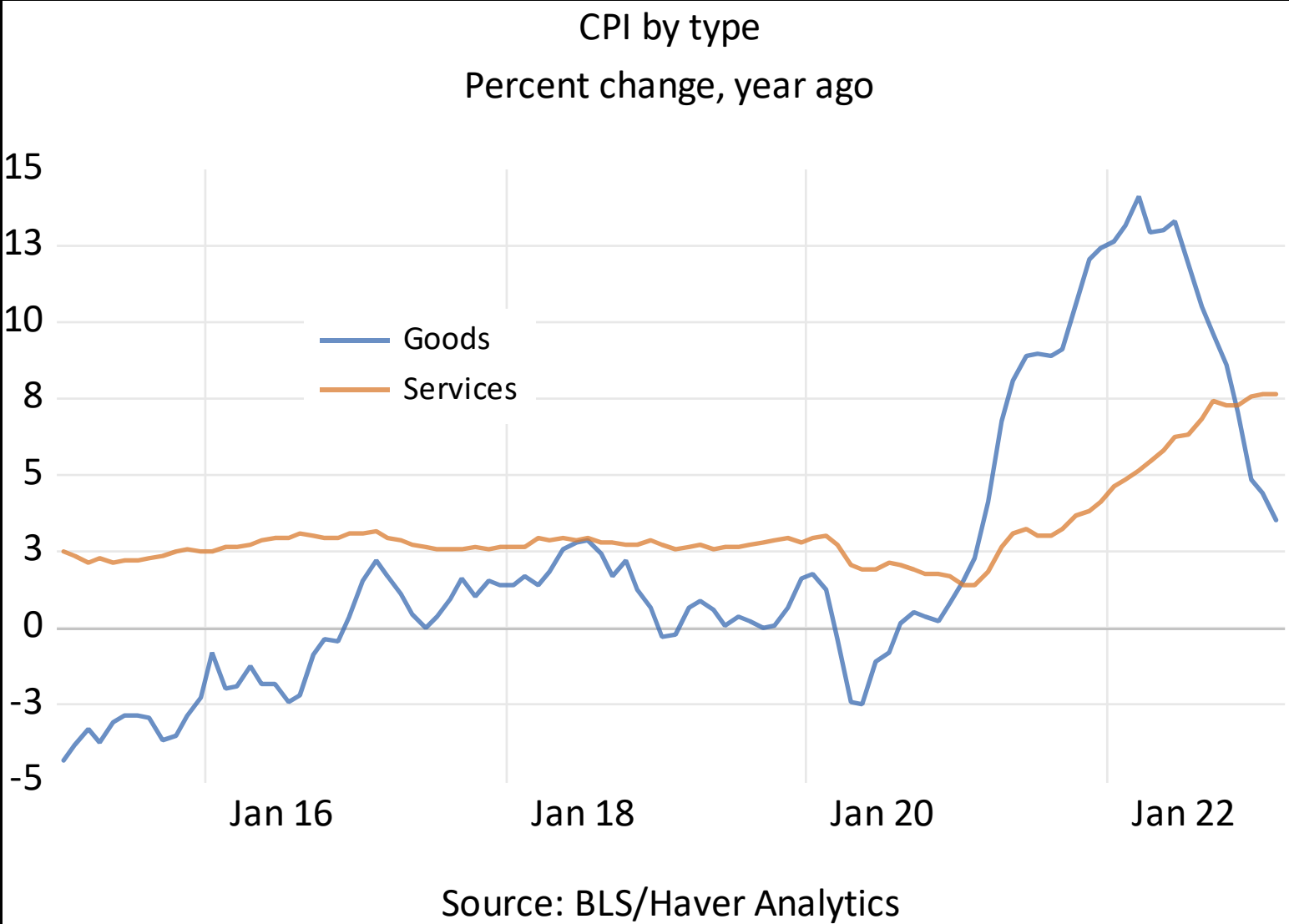
Which of the following 1970s phenomena do you think is most likely to return next year?

A. Bell bottoms and platform shoes

B. Disco

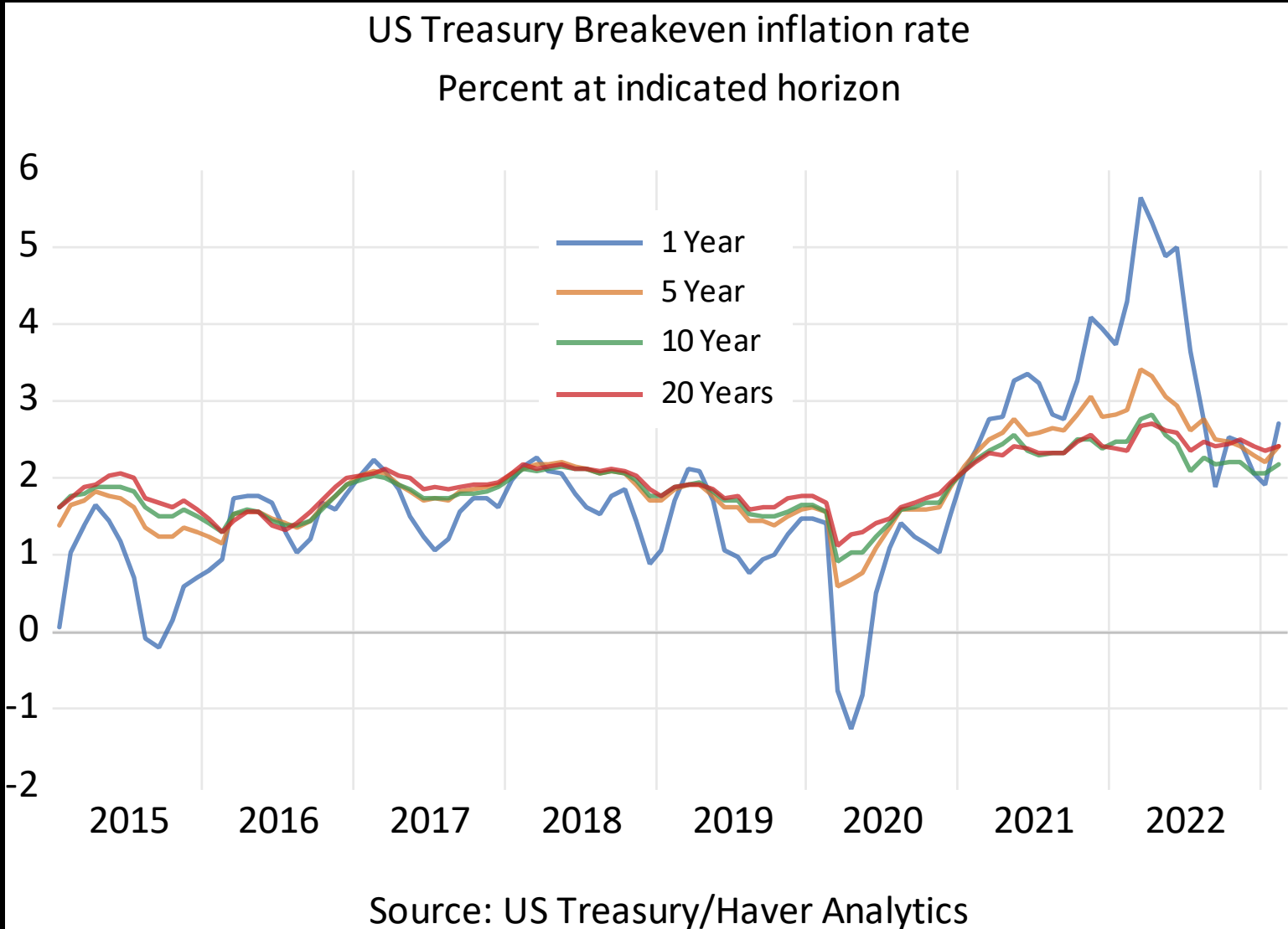
C. Lines at gasoline stations

Consumer Price Index (CPI) Trends 2016 - 2022



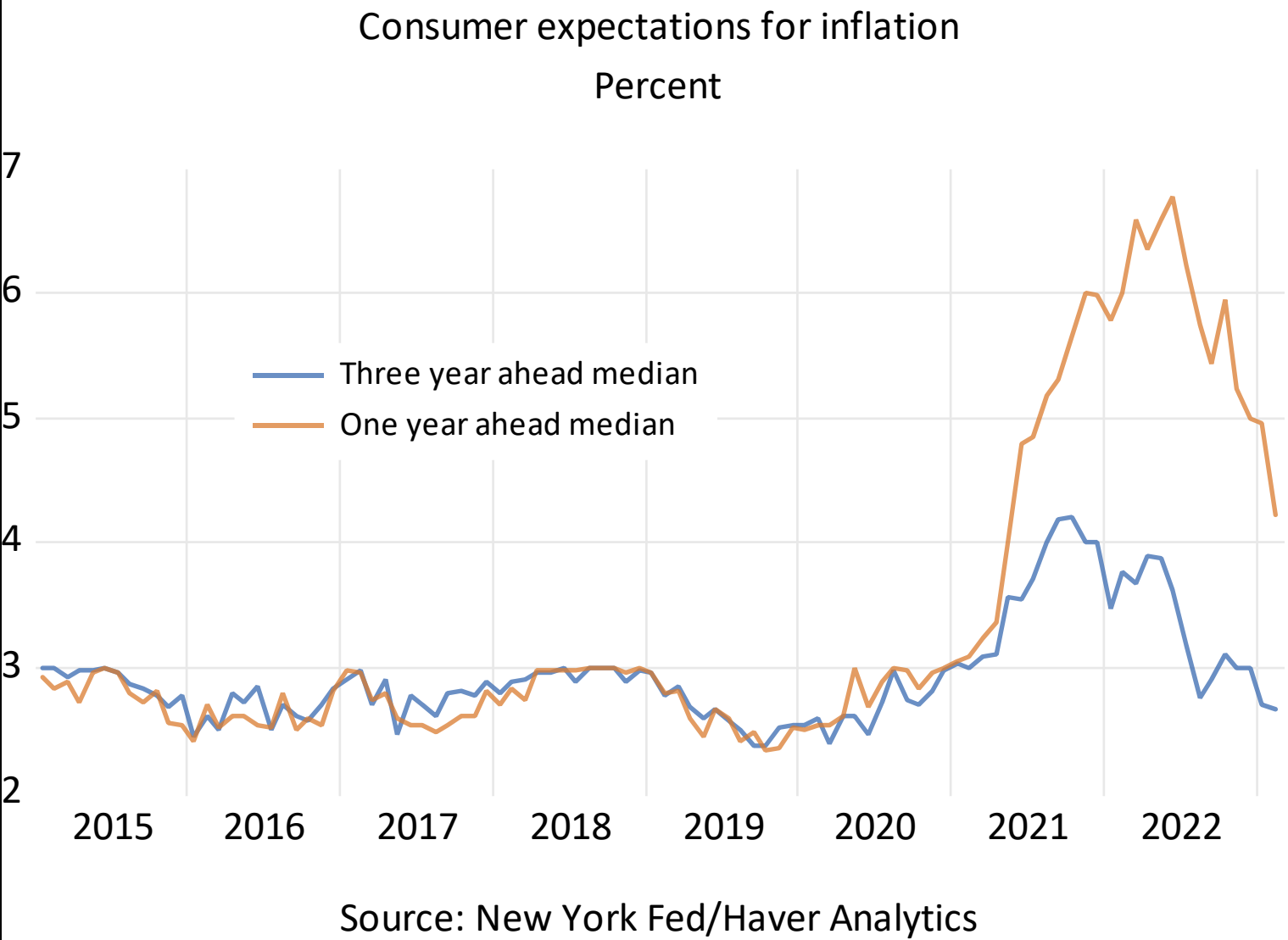
Source: BLS/Haver Analytics

US Treasury Breakeven Inflation Rate Trends



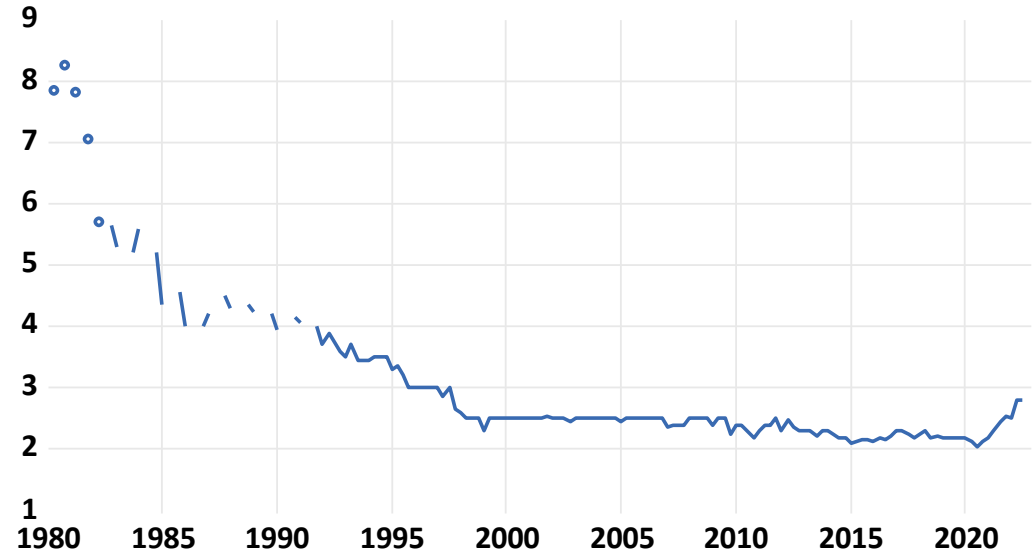
Source: US Treasury/Haver Analytics

Changes in Consumer Expectations for Inflation



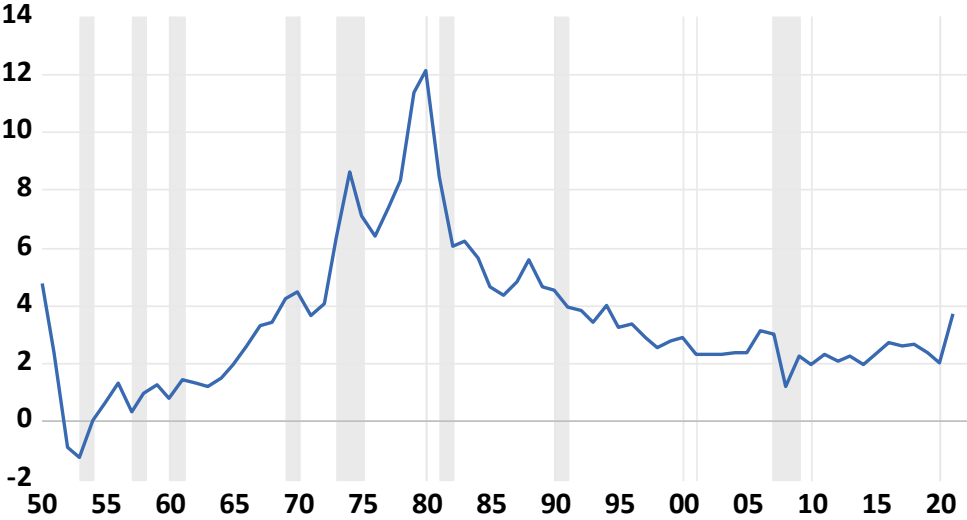
CPI and Inflation Expectations from Experts

10 year ahead inflation expectations, survey of professional forecasters
Percent



Source: Philadelphia Fed/Haver Analytics

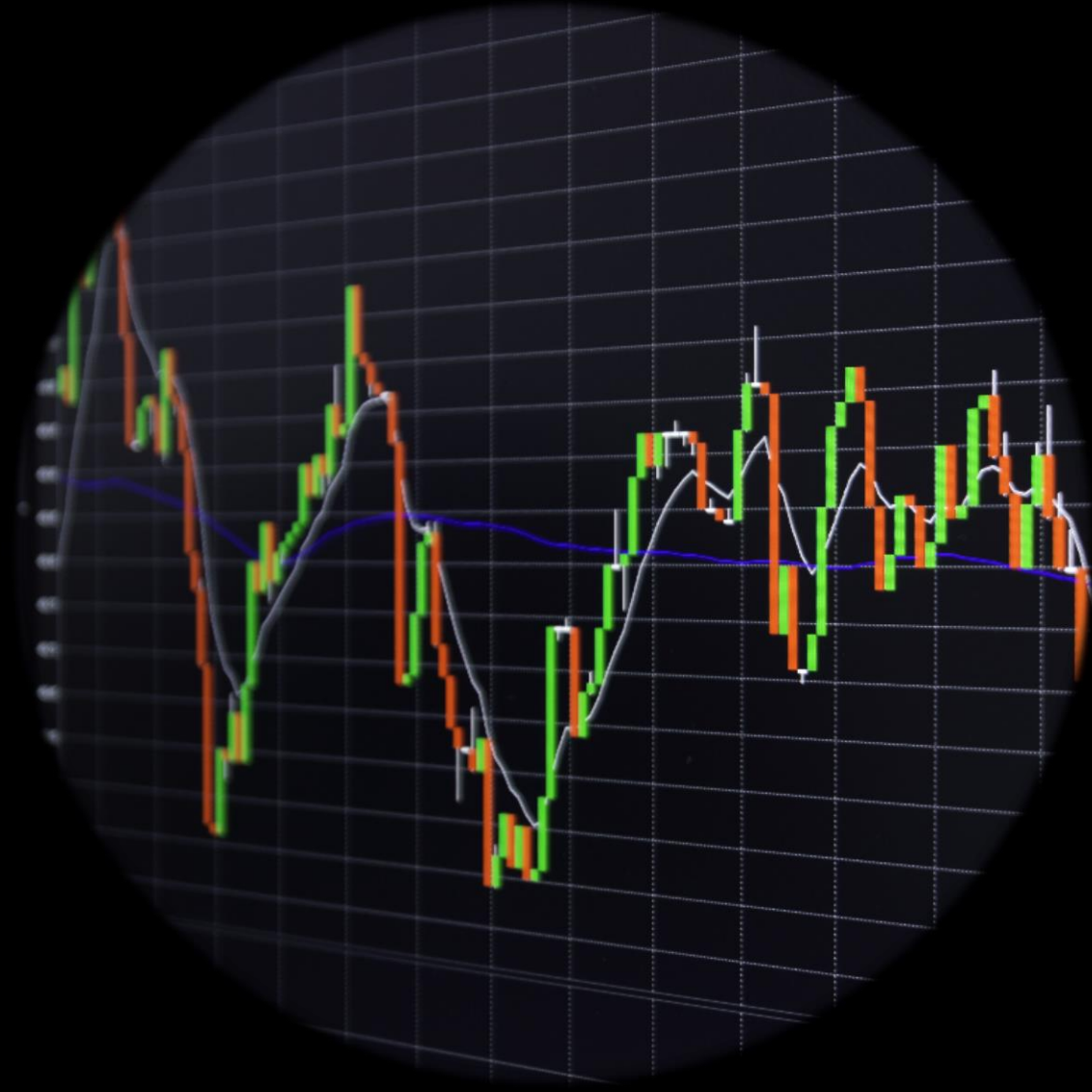
One year ahead CPI inflation projections
Livingston Survey
Percent



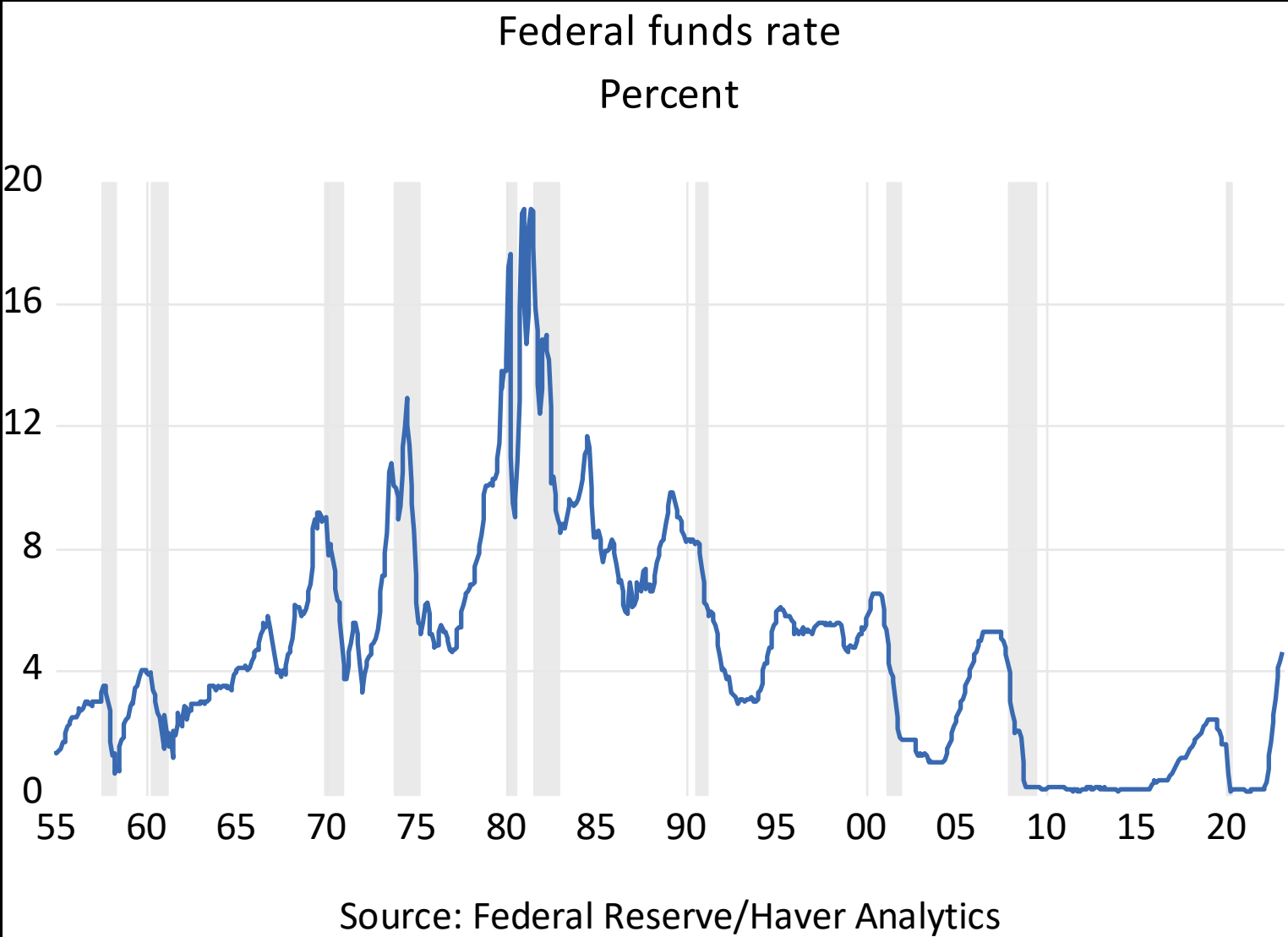
Source: Philadelphia Federal Reserve Bank/Haver Analytics

Key Considerations:

3. Recession



Federal Funds Rate Trends



Business Cycle Peaks & Causes

Business cycle peak	Cause
2020	Covid-19 Pandemic
2007	Housing bubble bursting
2001	Tech bubble bursting and 9/11 terrorist attacks
1990	Iraq war oil shock and S&L collapse
1982	Monetary tightening
1980	Monetary tightening
1973	OPEC oil shock

The Forecast



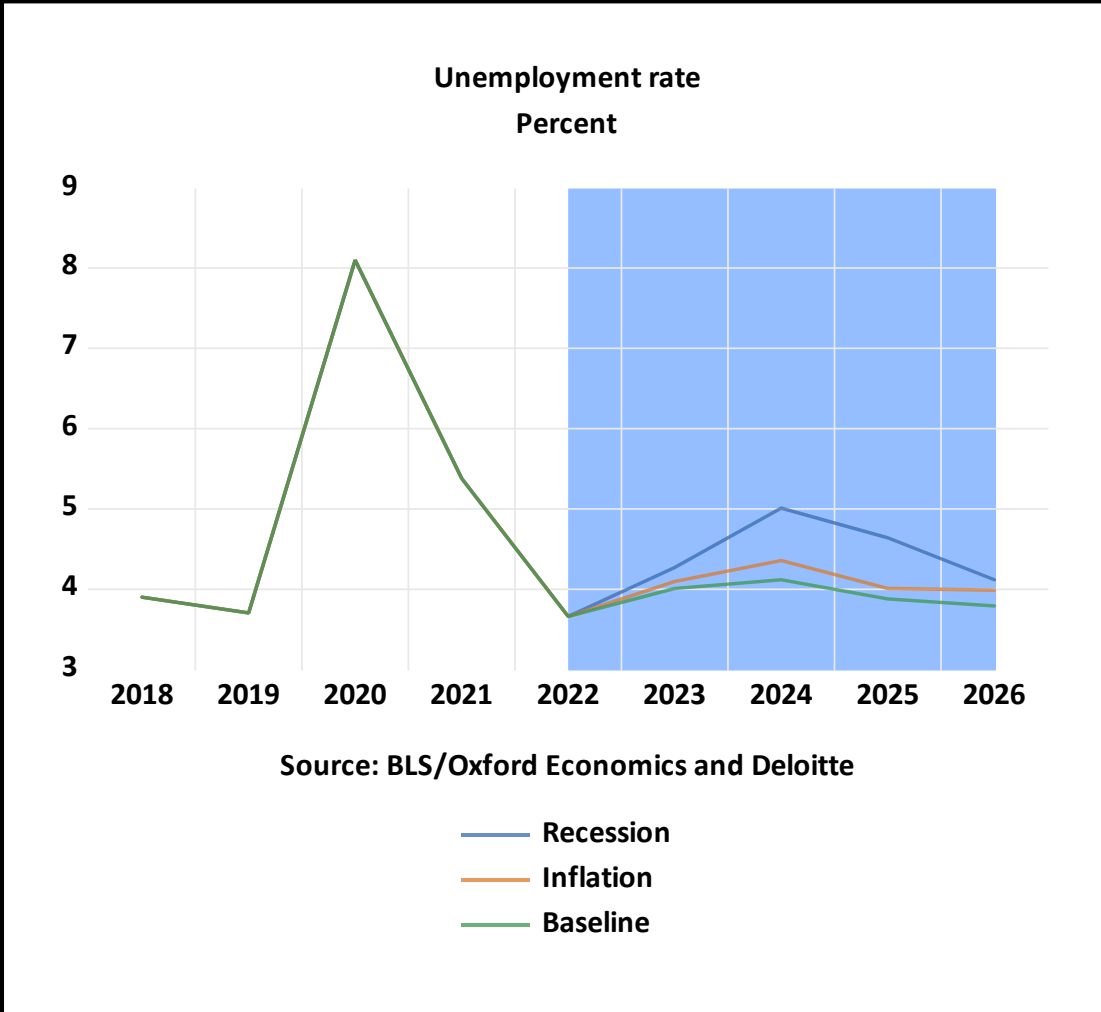
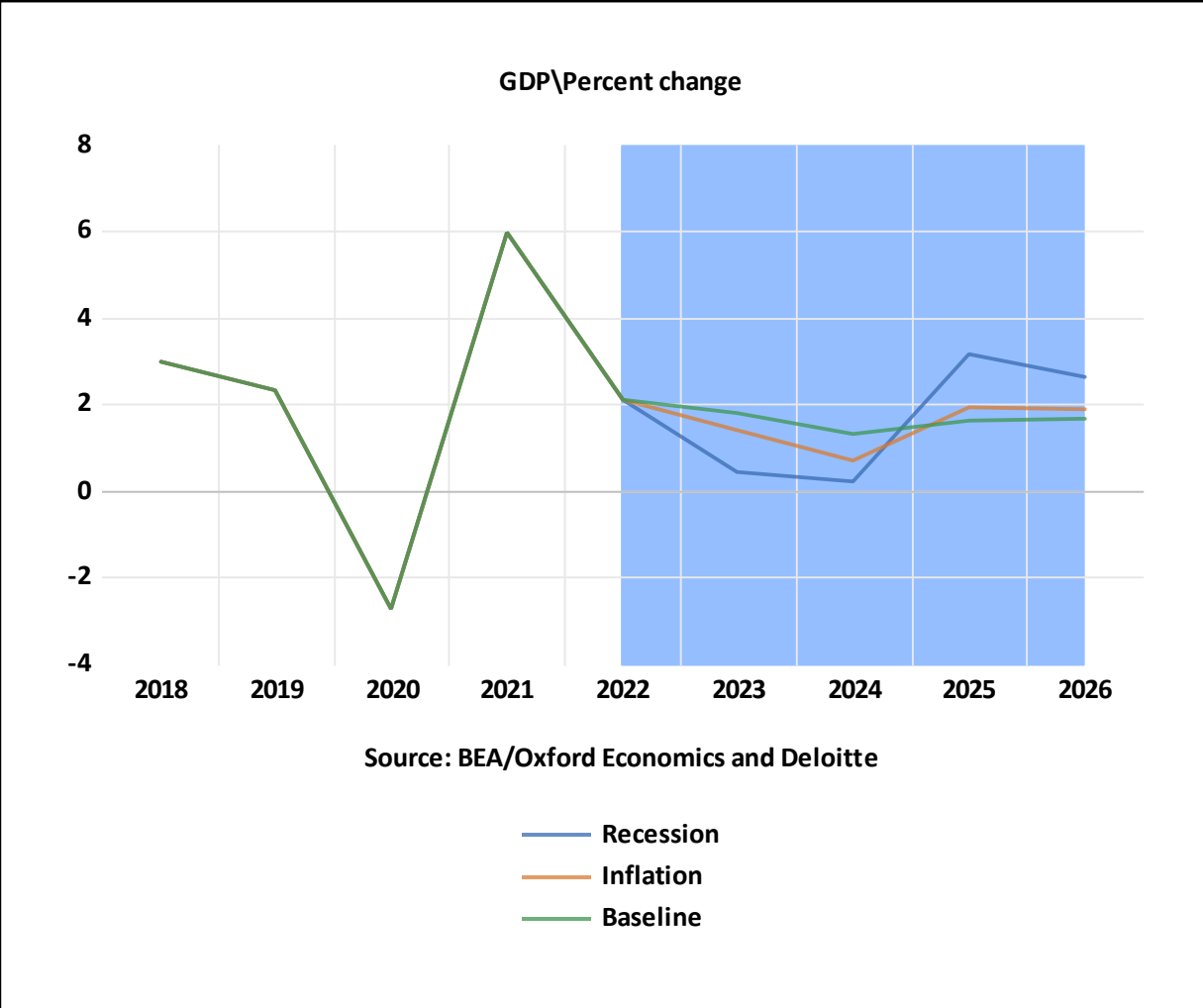
US Economic Forecast Scenarios

Baseline (60%)

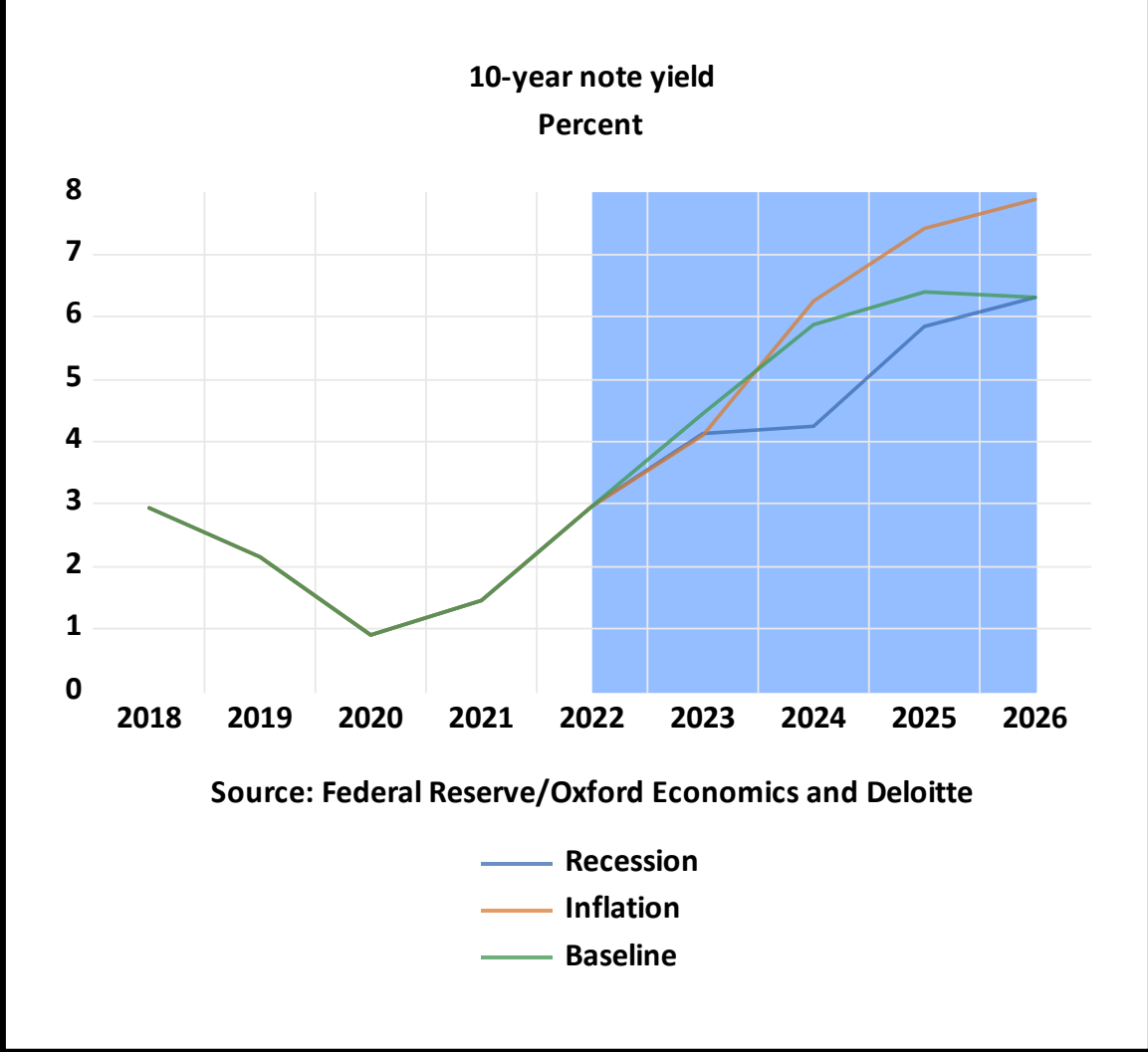
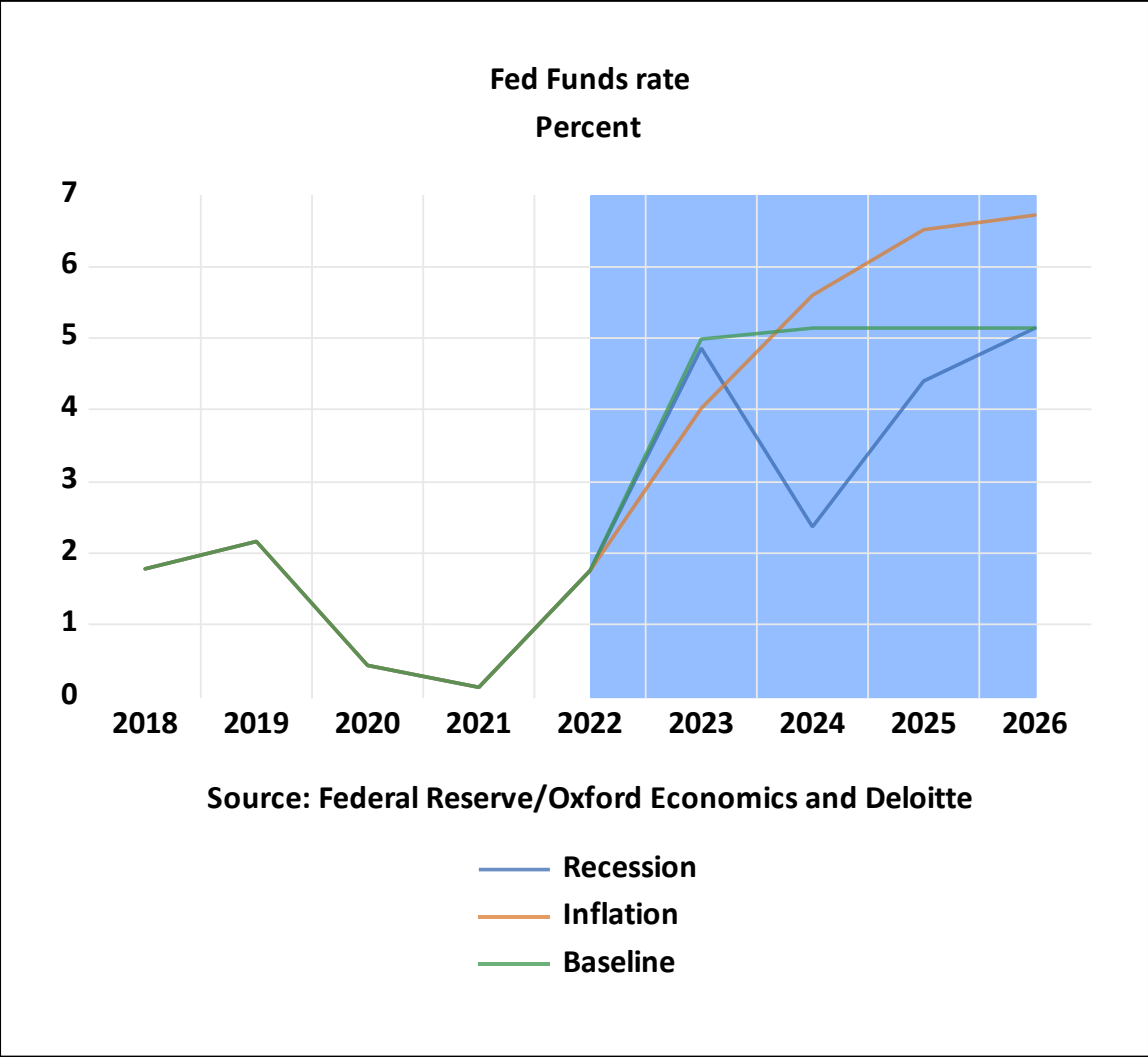
Back to the 70's inflation (10%)

The next recession (30%)

GDP & Unemployment Trends



Federal Fund Rates & 10-Year Note Yields







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